
**NEW WORLD PREPARATORY CHARTER
SCHOOL AND SUBSIDIARY**

**Consolidated Financial Statements
with Supplementary Information**

For the years ended June 30, 2021 and 2020

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2021 and 2020

Contents	Page
Independent Auditors' Report.....	1-2
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows.....	7
Notes to the Consolidated Financial Statements.....	8-15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16-17
Supplementary Information	
Consolidating Statement of Financial Position.....	18-21
Consolidating Statement of Activities	22-23

Independent Auditors' Report

To the Board of Trustees of
New World Preparatory Charter School and Subsidiary

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New World Preparatory Charter School and Subsidiary as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other reporting required by government auditing standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021 on our consideration of New World Preparatory Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New World Preparatory Charter School and Subsidiary's internal control over financial reporting and compliance.

Report on supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary financial information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

NChang LLP

New York, New York
October 28, 2021



NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statements of Financial Position

As of June 30,

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 9,197,689	\$ 3,773,895
Grants receivable	352,385	297,363
Security deposits	33,333	-
Prepaid expenses	<u>230,833</u>	<u>347,567</u>
Total current assets	9,814,240	4,418,825
Property and equipment, net - Note 5	8,256,716	4,630,403
Other assets		
Restricted cash and escrow reserves - Note 6	<u>46,682,635</u>	<u>75,400</u>
Total assets	<u><u>\$ 64,753,591</u></u>	<u><u>\$ 9,124,628</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 471,696	\$ 673,806
Accrued salaries and other payroll-related expenses	1,504,566	1,471,173
Refundable advances	<u>249,465</u>	<u>190,136</u>
Total current liabilities	<u>2,225,727</u>	<u>2,335,115</u>
Long Term Liabilities		
Bonds payable, net	53,772,909	-
SBA loan - paycheck protection program	<u>-</u>	<u>1,225,823</u>
Total long term liabilities	<u>53,772,909</u>	<u>1,225,823</u>
Total liabilities	<u>55,998,636</u>	<u>3,560,938</u>
Net assets without donor restrictions		
Undesignated	8,679,541	5,488,290
Reserve - contingency	<u>75,414</u>	<u>75,400</u>
Total net assets without donor restrictions	<u>8,754,955</u>	<u>5,563,690</u>
Total liabilities and net assets without donor restrictions	<u><u>\$ 64,753,591</u></u>	<u><u>\$ 9,124,628</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Activities**

For the years ended June 30,

	<u>2021</u>	<u>2020</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 10,143,060	\$ 8,990,301
Special education	2,524,612	2,242,015
Facility lease assistance	<u>1,258,595</u>	<u>670,000</u>
Total state and local per pupil operating revenue	13,926,267	11,902,316
Grants, contract and other support		
State and local grants	47,539	150,303
Federal grants	639,886	515,677
Contributions	12,000	46,378
Cancellation of debt	1,225,823	-
Interest and other income	<u>40,173</u>	<u>75,305</u>
Total operating revenue and other support	<u>15,891,688</u>	<u>12,689,979</u>
<u>Expenses</u>		
Program expenses		
Regular education	8,961,473	7,850,556
Special education	<u>2,463,717</u>	<u>2,026,315</u>
Total program expenses	11,425,190	9,876,871
Supporting services		
Management and general	1,262,192	1,147,163
Fundraising	<u>13,041</u>	<u>27,471</u>
Total program and supporting services expenses	<u>12,700,423</u>	<u>11,051,505</u>
Change in net assets	3,191,265	1,638,474
Net assets without donor restrictions - beginning of year	<u>5,563,690</u>	<u>3,925,216</u>
Net assets without donor restrictions - end of year	<u><u>\$ 8,754,955</u></u>	<u><u>\$ 5,563,690</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the year ended June 30, 2021

	Program expenses			Supporting services		Total Program and Supporting Services
	Regular education	Special education	Total programs	Fundraising	Management & general	
Salaries						
Instructional personnel	\$ 4,381,118	\$ 1,384,304	\$ 5,765,422	\$ -	\$ -	\$ 5,765,422
Administrative staff personnel	682,474	26,955	709,429	-	413,216	1,122,645
Non-instructional personnel	370,230	14,623	384,853	-	224,162	609,015
Total salaries	<u>5,433,822</u>	<u>1,425,882</u>	<u>6,859,704</u>	<u>-</u>	<u>637,378</u>	<u>7,497,082</u>
Operating expenses						
Payroll taxes and fringe benefits	1,097,763	288,063	1,385,826	-	128,766	1,514,592
Retirement	129,239	33,914	163,153	-	15,160	178,313
Contracted services	312,643	125,057	437,700	-	165,495	603,195
Administrative	63,437	16,646	80,083	-	7,441	87,524
Marketing and recruitment	43,176	11,330	54,506	-	5,064	59,570
Legal and professional fees	35,219	4,023	39,242	-	20,682	59,924
Insurance	79,248	20,795	100,043	-	83,036	183,079
Repairs and maintenance	389,901	102,314	492,215	-	45,735	537,950
Occupancy	497,248	130,482	627,730	-	58,326	686,056
School and staff development	202,306	53,087	255,393	-	23,730	279,123
Student services	4,284	74,684	78,968	-	549	79,517
Food service	94,622	26,688	121,310	-	-	121,310
Supplies and instructional materials	103,515	27,163	130,678	-	12,142	142,820
Building supplies and equipment leasing	87,658	23,002	110,660	-	10,282	120,942
Technology	34,111	8,951	43,062	-	4,001	47,063
Utilities	95,552	25,074	120,626	-	11,208	131,834
Depreciation	218,573	50,900	269,473	-	22,756	292,229
Other expenses	39,156	15,662	54,818	13,041	10,441	78,300
Total operating expenses	<u>3,527,651</u>	<u>1,037,835</u>	<u>4,565,486</u>	<u>13,041</u>	<u>624,814</u>	<u>5,203,341</u>
Total expenses	<u>\$ 8,961,473</u>	<u>\$ 2,463,717</u>	<u>\$ 11,425,190</u>	<u>\$ 13,041</u>	<u>\$ 1,262,192</u>	<u>\$ 12,700,423</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the year ended June 30, 2020

	Program expenses			Supporting services		Total Program and Supporting Services
	Regular education	Special education	Total programs	Fundraising	Management & general	
Salaries						
Instructional personnel	\$ 3,624,980	\$ 1,095,338	\$ 4,720,318	\$ -	\$ -	\$ 4,720,318
Administrative staff personnel	623,246	23,540	646,786	-	367,674	1,014,460
Non-instructional personnel	442,741	16,723	459,464	-	261,188	720,652
Total salaries	<u>4,690,967</u>	<u>1,135,601</u>	<u>5,826,568</u>	<u>-</u>	<u>628,862</u>	<u>6,455,430</u>
Operating expenses						
Payroll taxes and fringe benefits	948,646	229,650	1,178,296	-	127,174	1,305,470
Retirement	104,191	25,223	129,414	-	13,968	143,382
Office Expense	51,109	12,374	63,483	-	6,852	70,335
Contracted services	322,643	125,057	447,700	-	83,372	531,072
Marketing and recruitment	30,232	7,319	37,551	-	4,053	41,604
Legal and professional fees	43,125	8,308	51,433	-	29,057	80,490
Insurance	91,349	22,114	113,463	-	72,875	186,338
Repairs and maintenance	274,554	66,465	341,019	-	36,806	377,825
Occupancy	216,263	50,216	266,479	-	27,688	294,167
School and staff development	226,111	54,737	280,848	-	30,312	311,160
Student services	5,479	95,531	101,010	-	702	101,712
Food service	157,049	44,296	201,345	-	-	201,345
Supplies and instructional materials	255,574	33,922	289,496	-	18,785	308,281
Building supplies and equipment leasing	66,003	15,978	81,981	-	8,848	90,829
Technology	37,423	9,059	46,482	-	5,017	51,499
Utilities	84,277	20,402	104,679	-	11,298	115,977
Depreciation	187,740	46,935	234,675	-	26,075	260,750
Other expenses	57,821	23,128	80,949	27,471	15,419	123,839
Total operating expenses	<u>3,159,589</u>	<u>890,714</u>	<u>4,050,303</u>	<u>27,471</u>	<u>518,301</u>	<u>4,596,075</u>
Total expenses	<u>\$ 7,850,556</u>	<u>\$ 2,026,315</u>	<u>\$ 9,876,871</u>	<u>\$ 27,471</u>	<u>\$ 1,147,163</u>	<u>\$ 11,051,505</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Cash Flows**

For the years ended June 30,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 3,191,265	\$ 1,638,474
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	292,229	260,750
Cancellation of debt	(1,225,823)	-
Changes in operating assets and liabilities		
Grants receivable	(55,022)	(125,763)
Security deposits	(33,333)	-
Prepaid expenses	116,734	202,433
Accounts payable and accrued expenses	(202,110)	326,910
Accrued salaries and other payroll-related expenses	33,393	444,216
Refundable advances	59,329	22,631
Net cash provided by operating activities	<u>2,176,662</u>	<u>2,769,651</u>
Cash flows from investing activities		
Acquisition of fixed assets	<u>(3,918,542)</u>	<u>(700,828)</u>
Net cash used in investing activities	<u>(3,918,542)</u>	<u>(700,828)</u>
Cash flows from financing activities		
Proceeds from bonds payable	53,772,909	-
Proceeds from SBA loan - paycheck protection program	-	1,225,823
Net cash provided by financing activities	<u>53,772,909</u>	<u>1,225,823</u>
Net change in cash, cash equivalents and restricted cash	52,031,029	3,294,646
Cash, cash equivalents and restricted cash - beginning of year	<u>3,849,295</u>	<u>554,649</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$ 55,880,324</u></u>	<u><u>\$ 3,849,295</u></u>
Cash, cash equivalents and restricted cash as reported within the consolidated statements of financial position		
Cash and cash equivalents	\$ 9,197,689	\$ 3,773,895
Restricted cash and escrow reserves	<u>46,682,635</u>	<u>75,400</u>
	<u><u>\$ 55,880,324</u></u>	<u><u>\$ 3,849,295</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in February 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grades were added in 2011 and 2012. The School is currently operating under its second charter renewal which is effective January 9, 2018 for an additional five years and was granted the expansion from Kindergarten to Fifth Grade, effectively making it a Kindergarten to Eighth Grade school. In September 2018, Fifth Grade was added and in September 2019, Kindergarten and 1st Grade were added. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community.

Friends of New World Prep, Inc. (the “Friends of NWP”), is a non-profit organization, founded in September 2018 under Section 402 of the Not-for-Profit Corporate Law of the State of New York. Friends of NWP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The board of trustees of the School has control over the board of trustees of Friends of NWP and as a result the two entities are being consolidated.

From hereon in, the School and Friends of NWP are referred to as the “Organization”.

Note 2 Summary of significant accounting policies

Principles of consolidation. The financial statements are consolidated to include the accounts of the School and the Friends of NWP. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of presentation and use of estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating risk. The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measure, the Organization cannot reasonably estimate the impact to future results of operations.

Cash and cash equivalents. The Organization considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

Financial statements presentation. The consolidated financial statements of the Organization follows the accounting standard for not-for-profit organization, which require the Organization to report information regarding its consolidated statements of financial position and consolidated statements of activities according to the following net asset classifications:

Net Assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net Assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the consolidated statements of activities.

Revenue recognition. The Organization recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue are recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$352,385 and \$297,363 at June 30, 2021 and 2020, respectively. There is no allowance recorded at June 30, 2021 and 2020 as all amounts are deemed collectible.

Reserve contingency. Under the provisions of its charter, the Organization established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
 June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The Organization capitalizes additions and significant improvements in excess of \$1,000. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful Life</u>
Building	39 years
Furniture and fixtures	7 years
Leasehold improvements	5 years
Computer and office equipment	3 years

Construction-in-progress at June 30, 2021 and 2020 consists of costs incurred for architecture, engineering, and professional fees related to the construction of the Organization's new facility. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying consolidated statements of financial position.

Donated goods and services. The Organization receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying consolidated statements of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The Organization received donated transportation and food service services from the local district. The Organization was unable to determine a value for these services.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net asset.

Functional Expenses. The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fundraising. Such allocations are determined by management on an equitable basis.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Financial and administrative	Time and effort
Insurance	Square Footage
Repairs and maintenance	Time and effort
Building, equipment leasing and furnishings	Square Footage

Income taxes. The School and Friends of NWP are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The Organization is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2018.

Note 3 Liquidity and availability

Financial Assets:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,197,689	\$ 3,773,895
Grants receivable	<u>352,385</u>	<u>297,363</u>
Amount available for general expenditure within one year	<u>\$ 9,550,074</u>	<u>\$ 4,071,258</u>

Note 4 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2021 and 2020, accrued bonuses relating to a retention plan were approximately \$419,146 and \$527,435, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$1,085,420 and \$943,738 as of June 30, 2021 and 2020, respectively.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

Note 5 Property and equipment

Property and equipment consist of the following as of June 30,

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 1,338,575	\$ 1,185,198
Land	1,919,232	1,919,232
Building	959,356	959,356
Furniture and fixtures	234,429	175,076
Computer equipment	1,310,142	970,287
Office equipment	60,859	39,959
Construction-in-progress	4,839,606	1,494,549
	<u>10,662,199</u>	<u>6,743,657</u>
Less, accumulated depreciation	<u>(2,405,483)</u>	<u>(2,113,254)</u>
	<u>\$ 8,256,716</u>	<u>\$ 4,630,403</u>

Note 6 Restricted cash and escrow reserves

Restricted cash and escrow reserve accounts as of June 30, are as follows:

	<u>2021</u>	<u>2020</u>
Debt service reserve fund	\$ 2,875,600	\$ -
Project fund	39,606,599	-
Capitalized interest fund	4,125,022	-
Reserve - contingency	75,414	75,400
	<u>\$ 46,682,635</u>	<u>\$ 75,400</u>

Note 7 Retirement plan

The Organization offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The Organization matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2021 and 2020, the Organization's matching contribution was \$178,313 and \$143,382, respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

Note 8 Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The management of the Organization believes it is not exposed to significant credit risk on cash and cash equivalents.

The Organization received approximately 88% and 94% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York State Department of Education during the years ended June 30, 2021 and 2020, respectively. Additionally, the Organization's grants receivable as of June 30, 2021 and 2020 consists of approximately 100% and 83%, respectively, from the New York State Department of Education.

Note 9 Commitments

The Organization is a lessee under various operating leases, principally for classroom space and administrative offices, which expire from June 30, 2023 to July 31, 2025. For the years ended June 30, 2021 and 2020, rent expense was \$686,056 and \$294,167, respectively.

Future minimum lease payments, as follows:

Year Ending June 30,	Amount
2022	\$ 749,946
2023	804,673
2024	513,750
2025	529,163
Thereafter	44,204
	<u>\$ 2,641,736</u>

Note 10 Contingency

The Organization participates in a number of federal and state programs. These programs require that the Organization comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

Note 11 SBA loan-paycheck protection program

On May 5, 2020, the Organization obtained a loan of \$1,225,823 (the “PPP loan”) from a commercial bank pursuant to the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (the “SBA”) pursuant to the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). The PPP Loan and accrued interest will be forgivable after twenty-four weeks as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan matures on May 5, 2022 and bears an interest rate of 1% per annum, with interest accruing on the unpaid principal balance. No payments of principal or interest were due during the six-month period beginning on the date of the PPP loan (the “Deferral Period”). The PPP loan balance as of June 30, 2020 was \$1,225,823. During fiscal year 2021, the Organization received notification that the PPP loan had been forgiven. The Organization recorded cancellation of debt in the amount of \$1,225,823.

Note 12 Bonds payable

On June 15, 2021, Build NYC Resource Corporation provided construction and permanent financing of \$52,125,000 through the issuance of \$51,160,000 in Tax-Exempt Revenue Bonds (the “Series 2021A Bonds”), bearing interest at 2.75% to 3.30% per annum, with principal due at varying amounts annually through maturity on June 15, 2056, and \$965,000 in Taxable Revenue Bonds bearing interest at 4.375% per annum which will be repaid in varying amounts through maturity on June 15, 2025. The proceeds of the bonds will be used to construct a three-story building at Staten Island, New York, to be used as classroom and administration space.

Future minimum principal payments for the next five years and in the aggregate thereafter are as follows:

Year Ending June 30,	Amount
2022	\$ -
2023	-
2024	775,000
2025	820,000
2026	850,000
Thereafter	49,680,000
Bonds payable	52,125,000
Unamortized bond issuance costs and issuance premium, net	1,647,909
Bonds payable, net	<u>\$ 53,772,909</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

Note 13 Master lease

The School has entered into a master lease agreement with the Friends of NWP for its rental space for a period of 40 years commencing May 1, 2020. The School is required to pay rent as defined in the master lease agreement except for the two months ended June 30, 2020, where the School paid a fixed amount of \$375,000. The rent expense is calculated on a straight-line basis over the term of the lease. At June 30, 2021 deferred rent payable in the amount of \$1,102,091 represents the excess of the rent expense recognized over the actual rent paid. Rent expense under the master lease and deferred rent payable were eliminated on the consolidated financial statements.

Minimum lease payments for the next five years is as follows:

Year ending June 30,	Amount
2022	\$ 3,636,300
2023	4,088,772
2024	4,297,892
2025	4,297,892
2026	4,297,892
Thereafter	145,412,027
	<u>\$ 166,030,775</u>

Note 14 Subsequent events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 28, 2021, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of
New World Preparatory Charter School and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 28, 2021.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered New World Preparatory Charter School and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether New World Preparatory Charter School and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York
October 28, 2021

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position
As of June 30, 2021

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 6,046,689	\$ 3,151,000	\$ -	\$ 9,197,689
Grants receivable	352,385	-	-	352,385
Rent receivable	-	3,520,425	(3,520,425)	-
Security deposits	33,333	-	-	33,333
Prepaid expenses	230,833	-	-	230,833
Due from related party	3,713,504	-	(3,713,504)	-
Deferred rents receivable	-	1,102,091	(1,102,091)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	10,376,744	7,773,516	(8,336,020)	9,814,240
Property and equipment, net	587,719	7,668,997	-	8,256,716
Other assets				
Restricted cash and escrow reserves	75,414	46,607,221	-	46,682,635
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 11,039,877</u>	<u>\$ 62,049,734</u>	<u>\$ (8,336,020)</u>	<u>\$ 64,753,591</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position - continued
As of June 30, 2021

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 3,962,121	\$ 30,000	\$ (3,520,425)	\$ 471,696
Due to related party	-	3,713,504	(3,713,504)	-
Deferred rents payable	1,102,091	-	(1,102,091)	-
Accrued salaries and other payroll-related expenses	1,504,566	-	-	1,504,566
Refundable advances	249,465	-	-	249,465
	<u>6,818,243</u>	<u>3,743,504</u>	<u>(8,336,020)</u>	<u>2,225,727</u>
Total current liabilities	6,818,243	3,743,504	(8,336,020)	2,225,727
Long Term Liabilities				
Bonds payable, net	-	53,772,909	-	53,772,909
	<u>6,818,243</u>	<u>57,516,413</u>	<u>(8,336,020)</u>	<u>55,998,636</u>
Total liabilities	6,818,243	57,516,413	(8,336,020)	55,998,636
Net assets without donor restrictions				
Undesignated	4,146,220	4,533,321	-	8,679,541
Reserve - contingency	75,414	-	-	75,414
	<u>4,221,634</u>	<u>4,533,321</u>	<u>-</u>	<u>8,754,955</u>
Total net assets without donor restrictions	4,221,634	4,533,321	-	8,754,955
Total liabilities and net assets without donor restrictions	<u>\$ 11,039,877</u>	<u>\$ 62,049,734</u>	<u>\$ (8,336,020)</u>	<u>\$ 64,753,591</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position
As of June 30, 2020

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 3,773,895	\$ -	\$ -	\$ 3,773,895
Grants receivable	297,363	-	-	297,363
Rent receivable	-	375,000	(375,000)	-
Prepaid expenses	347,567	-	-	347,567
Loans receivable from Friends of	<u>4,373,137</u>	<u>-</u>	<u>(4,373,137)</u>	<u>-</u>
Total current assets	8,791,962	375,000	(4,748,137)	4,418,825
Property and equipment, net	281,864	4,348,539	-	4,630,403
Other assets				
Restricted cash and escrow reserves	<u>75,400</u>	<u>-</u>	<u>-</u>	<u>75,400</u>
Total assets	<u><u>\$ 9,149,226</u></u>	<u><u>\$ 4,723,539</u></u>	<u><u>\$ (4,748,137)</u></u>	<u><u>\$ 9,124,628</u></u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position - continued
As of June 30, 2020

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,028,806	\$ 20,000	\$ (375,000)	\$ 673,806
Loans payable to New World Prep	-	4,373,137	(4,373,137)	-
Accrued salaries and other payroll-related expenses	1,471,173	-	-	1,471,173
Refundable advances	<u>190,136</u>	<u>-</u>	<u>-</u>	<u>190,136</u>
Total current liabilities	2,690,115	4,393,137	(4,748,137)	2,335,115
Long Term Liabilities				
SBA loan - paycheck protection program	<u>1,225,823</u>	<u>-</u>	<u>-</u>	<u>1,225,823</u>
Total liabilities	<u>3,915,938</u>	<u>4,393,137</u>	<u>(4,748,137)</u>	<u>3,560,938</u>
Net assets without donor restrictions				
Undesignated	5,157,888	330,402	-	5,488,290
Reserve - contingency	<u>75,400</u>	<u>-</u>	<u>-</u>	<u>75,400</u>
Total net assets without donor restrictions	<u>5,233,288</u>	<u>330,402</u>	<u>-</u>	<u>5,563,690</u>
Total liabilities and net assets without donor restrictions	<u><u>\$ 9,149,226</u></u>	<u><u>\$ 4,723,539</u></u>	<u><u>\$ (4,748,137)</u></u>	<u><u>\$ 9,124,628</u></u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2021

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 10,143,060	\$ -	\$ -	\$ 10,143,060
Special education	2,524,612	-	-	2,524,612
Facility lease assistance	1,258,595	-	-	1,258,595
Total state and local per pupil operating revenue	<u>13,926,267</u>	<u>-</u>	<u>-</u>	<u>13,926,267</u>
Grants, contract and other support				
State and local grants	47,539	-	-	47,539
Federal grants	639,886	-	-	639,886
Contributions	12,000	-	-	12,000
Rental income	-	4,247,091	(4,247,091)	-
Cancellation of debt	1,225,823	-	-	1,225,823
Interest and other income	40,173	-	-	40,173
Total operating revenue and other support	<u>15,891,688</u>	<u>4,247,091</u>	<u>(4,247,091)</u>	<u>15,891,688</u>
Expenses				
Program expenses				
Regular education	11,995,556	44,172	(3,078,255)	8,961,473
Special education	3,271,479	-	(807,762)	2,463,717
Total program expenses	<u>15,267,035</u>	<u>44,172</u>	<u>(3,886,017)</u>	<u>11,425,190</u>
Supporting services				
Management and general	1,623,266	-	(361,074)	1,262,192
Fundraising	13,041	-	-	13,041
Total program and supporting services expenses	<u>16,903,342</u>	<u>44,172</u>	<u>(4,247,091)</u>	<u>12,700,423</u>
Change in net assets	(1,011,654)	4,202,919	-	3,191,265
Net assets without donor restrictions - beginning of year	<u>5,233,288</u>	<u>330,402</u>	<u>-</u>	<u>5,563,690</u>
Net assets without donor restrictions - end of year	<u>\$ 4,221,634</u>	<u>\$ 4,533,321</u>	<u>\$ -</u>	<u>\$ 8,754,955</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2020

	NWPCS	Friends of NWP	Elimination	Consolidated
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 8,990,301	\$ -	\$ -	\$ 8,990,301
Special education	2,242,015	-	-	2,242,015
Facility lease assistance	670,000	-	-	670,000
Total state and local per pupil operating revenue	<u>11,902,316</u>	<u>-</u>	<u>-</u>	<u>11,902,316</u>
Grants, contract and other support				
State and local grants	150,303	-	-	150,303
Federal grants	515,677	-	-	515,677
Contributions	46,378	-	-	46,378
Rental income	-	375,000	(375,000)	-
Interest and other income	75,305	-	-	75,305
Total operating revenue and other support	<u>12,689,979</u>	<u>375,000</u>	<u>(375,000)</u>	<u>12,689,979</u>
Expenses				
Program expenses				
Regular education	8,180,958	44,598	(375,000)	7,850,556
Special education	2,026,315	-	-	2,026,315
Total program expenses	<u>10,207,273</u>	<u>44,598</u>	<u>(375,000)</u>	<u>9,876,871</u>
Supporting services				
Management and general	1,147,163	-	-	1,147,163
Fundraising	27,471	-	-	27,471
Total program and supporting services expenses	<u>11,381,907</u>	<u>44,598</u>	<u>(375,000)</u>	<u>11,051,505</u>
Change in net assets	1,308,072	330,402	-	1,638,474
Net assets without donor restrictions - beginning of year	<u>3,925,216</u>	<u>-</u>	<u>-</u>	<u>3,925,216</u>
Net assets without donor restrictions - end of year	<u>\$ 5,233,288</u>	<u>\$ 330,402</u>	<u>\$ -</u>	<u>\$ 5,563,690</u>